

**Public Service
Pension Plan**

**ANNUAL
REPORT**

FOR THE FISCAL YEAR ENDED MARCH 31, 1989

Alberta
TREASURY



Public Service Pension Plan

ANNUAL REPORT

for the fiscal year ended March 31, 1989



PROVINCIAL TREASURER

224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

February 1990

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Pension Plan Act, being Chapter P-35.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1989.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dick Johnston".

Dick Johnston
Provincial Treasurer

February 1990

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Public Service Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1989, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,



A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Public Service Pension Plan was established effective April 1, 1947, by the Public Service Pension Act to provide a contributory pension scheme for employees of the Alberta Government, its Agencies, Boards, Commissions, and other public service bodies approved by the Lieutenant-Governor in Council. Members of the Legislative Assembly also participated in the Public Service Pension Plan until the establishment of a separate pension plan for Members of the Legislative Assembly in 1969. Similarly, on the establishment of the Public Service Management Pension Plan in 1972, the Alberta Government employees whose positions were designated as "Management" transferred to the Public Service Management Pension Plan.

The Public Service Pension Act was repealed on November 1, 1985, and replaced by the Public Service Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Pension Plan is a contributory defined benefit plan. For the calendar year 1988, both employees and employers contributed at a rate of 4.2 per cent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.0 per cent on any excess. These rates were increased to 4.375 per cent and 6.25 per cent on January 1, 1989. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Pension Plan.

Members may retire at any time after age 55 if five years of pensionable service has been accumulated. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 per cent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two per cent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, a number of systems and procedural enhancements were implemented. Improvements made to the administration of prior service now enable employers to provide estimated costs of eligible service directly to members. Benefits realized by this prior service refinement include improved timeliness and accuracy of information for both members and employers.

A review of the participant annual statement production and distribution resulted in additional and improved summary reporting. The format and content of summarized annual statement data was revised to provide employers with information concerning members approaching 35 years of service. These improvements will assist employers in carrying out their responsibilities.

During the year a review of the documentation associated with the processing of retirements, terminations, and annual reporting information was undertaken. Changes to the structure and content of forms led to a reduction in the amount and frequency of data required to be submitted by employers to the Pension Administration.

Procedures were changed so that all personal payments made by members are submitted via the relevant employer. This has improved the quality of the pension data base by ensuring that employers are aware of all transactions in respect of their members.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Public Service Pension Plan to be \$2,248,919,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.5 per cent.

Participation

At March 31, 1989, there were 48 employers participating in the Public Service Pension Plan, 47,631 active contributors and 2,776 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Pension Plan	Transfers From Public Service Pension Plan
	\$	\$
Public Service Management Pension Plan	359,485	6,683,776
Local Authorities Pension Plan	1,563,322	2,865,103
Universities Academic Pension Plan	1,714	815,663
	<u>1,924,521</u>	<u>10,364,542</u>

Reciprocal Agreements

At March 31, 1989, the Public Service Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie College and University
- Government of British Columbia
- Government of Canada
- Government of Ontario
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- McGill University
- McMaster University
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Ontario Workers' Compensation Board
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Ryerson Polytechnical Institute
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Board
- Saskatchewan Research Council
- Saskatchewan Teachers' Superannuation Commission
- University of Guelph
- University of Manitoba
- University of Toronto

Reciprocal Transfers

During the year ended March 31, 1989, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount \$	Number	Amount \$
Alberta Government Telephones	6	93,612	12	171,422
Alberta Teachers' Retirement Fund	6	146,440	-	-
Government of Canada	28	414,734	34	456,492
Government of Ontario	-	-	4	53,754
Ontario Municipal Employees Retirement Board	-	-	9	129,458
Other	11	156,797	12	202,793
	<u>51</u>	<u>811,883</u>	<u>71</u>	<u>1,013,919</u>

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1989:

	Participants At March 31, 1989	Contributions Received		
		Employee \$	Employer \$	Total \$
Government of Alberta	28,200	36,509,520	35,279,612	71,789,132
Alberta Cancer Board	741	1,212,306	1,164,461	2,376,767
Alberta Educational Commu- nications Corporation	177	228,364	226,739	455,103
Alberta Hail and Crop Insurance Corporation	106	117,217	113,570	230,787
Alberta Liquor Control Board	1,210	1,390,391	1,328,943	2,719,334
Alberta Mortgage & Housing Corporation	464	631,994	624,361	1,256,355
Alberta Opportunity Company	82	117,644	116,468	234,112
Alberta Racing Commission	15	22,777	22,777	45,554
Energy Resources Conservation Board	768	1,328,385	1,310,322	2,638,707
Petroleum Marketing Commission	98	158,288	157,088	315,376
Special Areas Board	100	124,966	119,776	244,742
Treasury Branches	2,609	2,354,813	2,310,637	4,665,450
Workers' Compensation Board	1,163	1,385,388	1,272,539	2,657,927
University of Alberta	3,609	4,256,437	4,043,527	8,299,964
Athabasca University	149	125,719	125,719	251,438
University of Calgary	1,886	1,895,314	1,838,152	3,733,466
University of Lethbridge	288	260,384	253,810	514,194
Banff Centre for Continuing Education	238	230,586	229,997	460,583
University of Alberta Hospital	4,303	5,054,326	4,955,631	10,009,957
Health Units	1,414	1,593,389	1,500,409	3,093,798
Alberta Union of Provincial Employees	5	5,951	5,951	11,902
Other	6	7,942	7,942	15,884
Accounts Held on Deposit	2,776	-	69	69
	<u>50,407</u>	<u>59,012,101</u>	<u>57,008,500</u>	<u>116,020,601</u>

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

	<u>Number</u>	<u>Amount</u> \$
Cash	2,721	7,140,113
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,466	7,523,383
	<u>4,187</u>	<u>14,663,496</u>

In addition, 233 refunds of excess contributions totalling \$112,044 were made to members and employers during the year.

Death in Service Benefits

In the current year, 82 members died while in service. Thirty-nine of the surviving spouses were granted spousal pensions. Lump sums were paid in respect of the other 43 deaths in service to a total of 50 individual beneficiaries.

Information and Counselling Services

Payroll and Pensions presented 107 information seminars and 21 pre-retirement seminars to employees during the year. In addition, one orientation and two general workshops were held for employers to assist them in their pension administration responsibilities. The average attendance for each seminar and workshop was 25 and 10, respectively.

Alberta Treasury training facilities in Edmonton as well as facilities in locations across the province were used for these sessions.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and distributed through employers to all active participants in the plan.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper, Postscript.

Pension Benefits

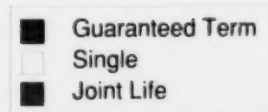
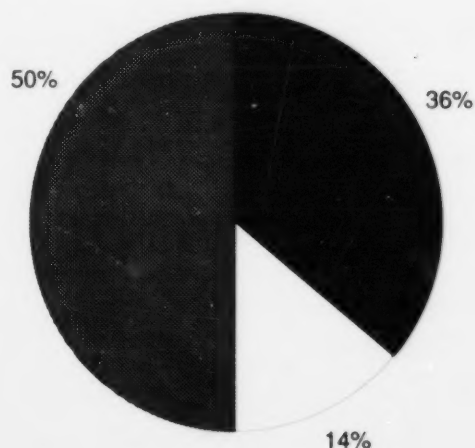
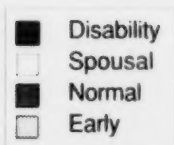
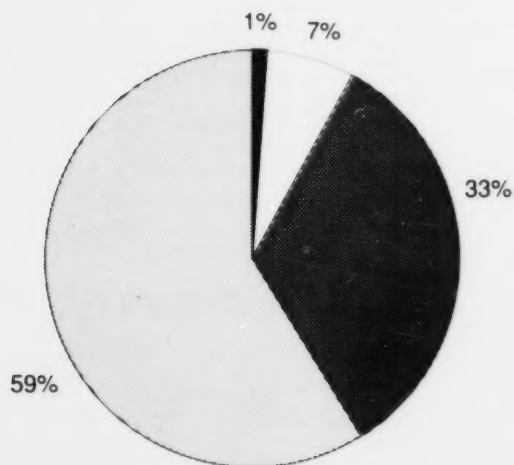
During the year ended March 31, 1989, pension benefits paid totalled \$81,944,256, an increase of \$5,984,679 (7.9 per cent) over the previous year. A total of 589 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1989		1988	
Normal Retirement	198		196	
Early Retirement	346	(213)	1,566	(1,127)
Partial or Total Disability	6	(3)	7	(3)
Death-in-Service (Spousal)	39	(12)	44	(26)
	<u>589</u>	<u>(228)</u>	<u>1,813</u>	<u>(1,156)</u>

() Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 80 were in respect of deferred retirements from previous years (9 normal, 68 early and three disability).

The two pie charts below illustrate the relative proportions of retirements during the year by type and by option chosen:



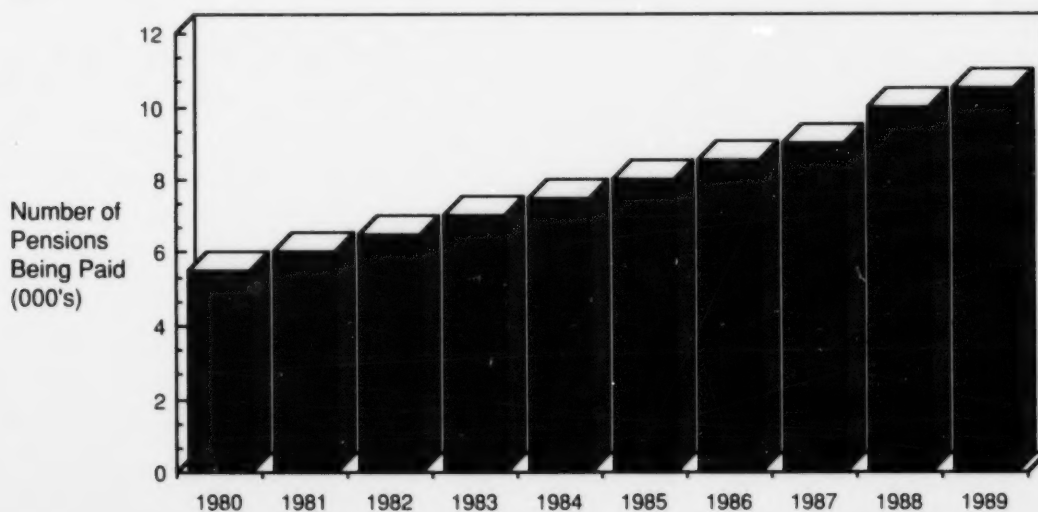
Pension options selected by members were as follows:

Member Pensions	At March 31, 1988	New Retire- ments	Benefi- ciaries	Deaths	End of Guarantee Term	At March 31, 1989
Normal						
(guaranteed 5 years)	1,738	46	1	(59)	(5)	1,721
Single Life	1,186	72		(30)		1,228
Guaranteed 10 years	1,931	51	20	(73)	(17)	1,912
Guaranteed 15 years	1,321	33	20	(37)	(25)	1,312
Guaranteed 20 years	1,059	53	20	(28)	(2)	1,102
Joint Life non-reduced	1,386	227	26	(28)		1,611
Joint Life Reduced one third	560	59	7	(12)		614
Joint Life Reduced one half	145	9	5	(6)		153

Spousal Pensions

Single Life	309	11		(12)		308
Guaranteed 5 years	42	3		(2)		43
Guaranteed 10 years	81	4		(2)		83
Guaranteed 15 years	90	1		(3)	(1)	87
Guaranteed 20 years	314	20	2	(4)		332
Total Pensions	<u>10,162</u>	<u>589</u>	<u>101</u>	<u>(296)</u>	<u>(50)</u>	<u>10,506</u>
Pensions co-ordinated with CPP and/or OAS	<u>4,516</u>	<u>231</u>	<u>32</u>	<u>(105)</u>	<u>(17)</u>	<u>4,657</u>

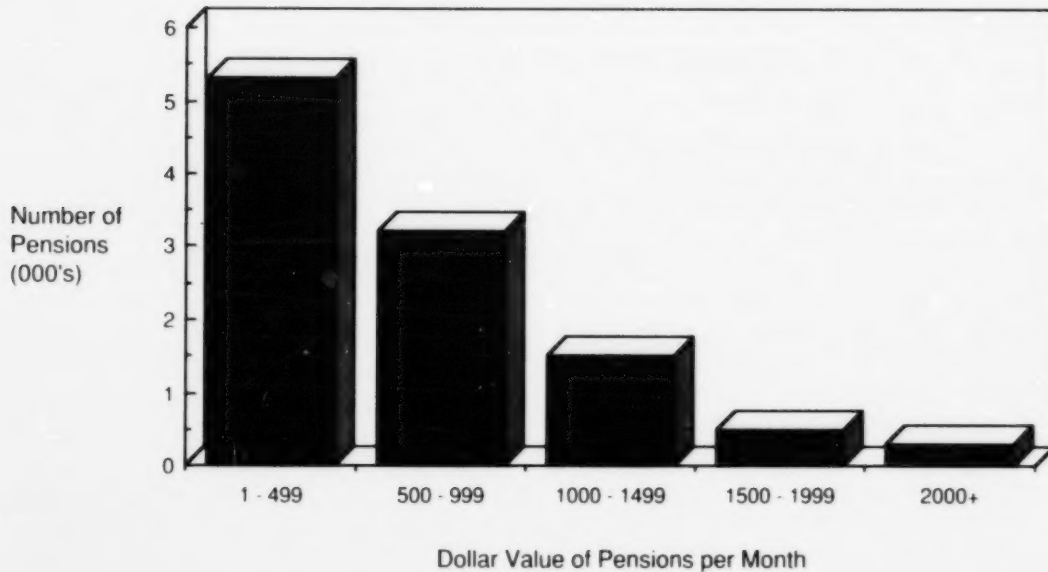
The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



For the Fiscal Year Ended March 31

The schedule and graph below categorize the pensions in effect at March 31, 1989, by dollar value of monthly pension:

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
\$ 1 - 499	4,775	542	5,317
500 - 999	2,825	231	3,056
1,000 - 1,499	1,311	59	1,370
1,500 - 1,999	527	18	545
2,000 and over	215	3	218
	<u>9,653</u>	<u>853</u>	<u>10,506</u>



Effective January 1, 1989, a cost of living adjustment of 2.0 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1988.

STATEMENT OF RECEIPTS AND PAYMENTS YEAR ENDED MARCH 31, 1989

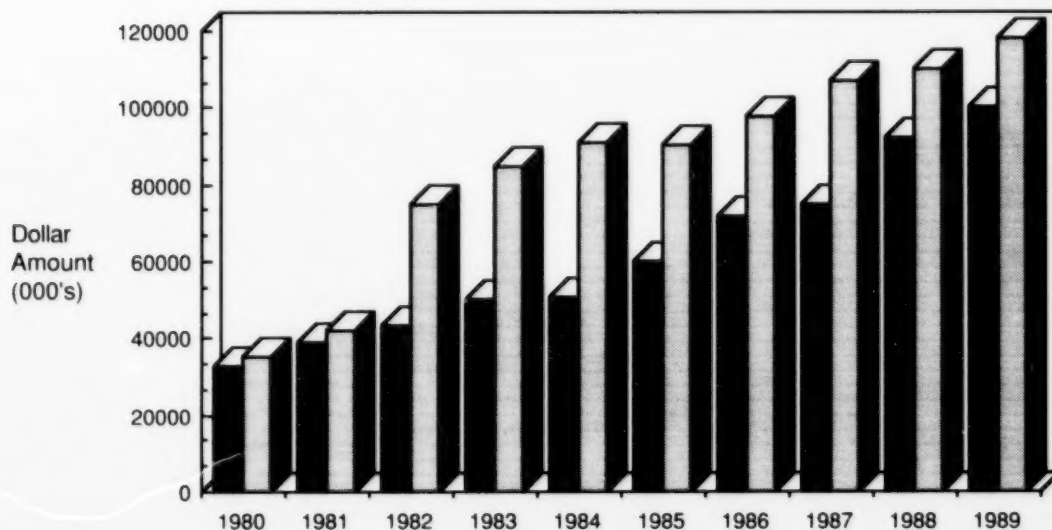
	1989	1988
	\$	\$
RECEIPTS		
Employee contributions	59,012,101	54,864,369
Employer contributions	57,008,500	52,430,113
Interest on overdue receivables	5,730	2,585
Total receipts	116,026,331	107,297,067
PAYMENTS		
BENEFITS		
Pensions to retired members	76,027,555	70,524,980
Pensions to surviving spouses	4,945,426	4,683,955
Lump sums to beneficiaries of deceased pensioners	505,042	312,560
Lump sums to beneficiaries of deceased employees	466,233	438,082
	81,944,256	75,959,577
WITHDRAWALS		
Refunds of contributions and interest to terminated members	14,663,496	14,203,952
Reciprocal agreement transfers	1,013,919	722,489
Refunds of excess contributions	112,044	98,668
	15,789,459	15,025,109
Total payments	97,733,715	90,984,686
Excess of receipts over payments	18,292,616	16,312,381

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

Fiscal Year	(000's)						Excess of Receipts Over Payments
	RECEIPTS			PAYMENTS			
	Employee	Employer	Total	Benefits	With- drawals	Total	
	\$	\$	\$	\$	\$	\$	
1988/89	59,012	57,014	116,026	81,944	15,789	97,733	18,293
1987/88	54,864	52,433	107,297	75,960	15,025	90,985	16,312
1986/87	52,747	51,614	104,361	59,442	13,231	72,673	31,688
1985/86	48,427	47,720	96,147	54,242	12,887	67,129	29,018
1984/85	45,229	44,751	89,980	48,991	10,074	59,065	30,915



For the Fiscal Year Ended March 31

